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Item Type	Journal
Authors	United Nations Reseach Institute for Social Development
Publisher	United Nations Reseach Institute for Social Development
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Download date	2026-07-13 22:08:18
Link to Item	http://hdl.handle.net/20.500.12424/178860

The United Nations Research Institute for Social Development Bulletin

Social Policy in a Development Context

The apparent consensus on the importance of social policy masks diverse perspectives on how it should be conceived, as well as disagreement about how the social malaise engulfing many societies is to be overcome. It is against this backdrop that UNRISD has launched a new three-year research project, **Social Policy in a Development Context**. Six internationally renowned scholars—Ha-Joon Chang, Giovanni Andrea Cornia, Diane Elson, Maureen Mackintosh, Judith Tendler and Laurence Whitehead—have contributed to this issue of **UNRISD News**, which is devoted in large part to work commissioned by the Institute under this project.

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THE LAST WORD: Social Policy and Economic Development: Lessons from East Asia

In recent years there has been increasing recognition of the enabling role that social policy can play in the development process. The burgeoning interest in social policy flows from a number of different currents. First, the spread of democratization through much of Africa, Asia and Latin America has reinforced pressure from citizens to put social issues back on national policy agendas, and has brought renewed demands for economic policies that are socially equitable and inclusive. At the same time, the widespread acknowledgment that orthodox economic policies have tended to depress growth and lead to social polarization and persistent poverty in, and inequality between, countries, has rekindled interest in social policy. This has coincided with and been reinforced by global policy pronouncements on “rights-based development”, which consider human rights to be multidimensional and indivisible, and insist that rights must be respected and enhanced in the process of development.

The apparent consensus on the importance of social policy, however, masks diverse and often conflicting conceptions of social policy, as well as considerable disagreement on how the social malaise engulfing many societies is to be overcome. There are numerous perspectives on appropriate

macroeconomic policies; on the respective roles of the state and the private sector in the development process; and on the goals and values that underpin social policy. In some quarters, there is growing fear that globalization is not only reversing some of the social gains embodied in the institutionalized welfare states, but that it is lessening the likelihood that developing countries will have the necessary policy autonomy and fiscal capacity to develop and finance comprehensive social policies. Others contend that the degree to which global economic forces constrain national policy choices should not be exaggerated, and point to the continued dominance of national traditions of interest representation and political consensus building as important parameters that continue to shape policy priorities.

It is against this backdrop that UNRISD has launched a new three-year research project, **Social Policy in a Development Context**. An international conference, held in Tammsvik, Sweden on 23–24 September 2000, marked the initial phase of the project (see **UNRISD Conference News, Social Policy in a Development Context**). This issue of **UNRISD News** brings together excerpts from the papers presented in Tammsvik by six internationally renowned scholars—Ha-Joon Chang, Giovanni

Andrea Cornia, Diane Elson, Maureen Mackintosh, Judith Tendler and Laurence Whitehead.

The current rediscovery of “the social” reopens long-standing questions about the nature of “economic” policies that can generate both growth and social development. In their respective contributions, Giovanni Andrea Cornia and Diane Elson delineate the kinds of macroeconomic policies and structural reforms that can meet the dual challenge of being developmental (enhancing growth and structural transformation) and equitable and socially inclusive. Both authors contend that orthodox macroeconomic policies—stabilization, external liberalization and privatization—have clearly failed to live up to their promises and urgently need to be redesigned. The challenge is to pursue stabilization programmes that do not generate large recessions and surges in poverty, by changing the “targets” for inflation and the budget deficit, and by altering the pace of deficit reduction. A similar process of rethinking must inform moves toward external liberalization, which needs to be far more gradual and selective, and must reduce destabilizing short-term capital flows that have been a recipe for macroeconomic and social disaster. Cornia also draws attention to some key pro-poor structural reforms that are widely agreed on by most scholars and yet are “off limits” as far as the policy establishment is concerned—such as redistributive land reform, reform of public expenditure and taxation, and the development of insurance mechanisms.

While Elson joins Cornia in condemning the “deflationary bias” of orthodox macroeconomic policies, she also draws attention to another source of systemic social bias: the “male breadwinner bias” that ties the right to claim social benefits (access to services, cash transfers, pensions) from the state, to full-time, life-long, working-age participation in the labour force. Yet for

many, and for women in particular, this model of labour force participation is not the norm. In order to be gender equitable, she argues, full-employment policies must be complemented by social entitlements for those in informal or part-time paid work as well as those who provide unpaid care—as citizens in their own right.

For these social goals to attain greater weight, it is not only necessary to challenge and change orthodox macroeconomic *analysis*, but also to transform the policy *process*. The latter needs to become less technocratic and insulated from public debate and scrutiny, and more open, democratic and socially inclusive.

The complex question of how to conceptualize “democracy” and “development”, and their interlinkages, is taken up by Laurence Whitehead. The conventional and minimalist views of democracy (as meaning no more than the holding of competitive elections) and of development (as meaning high and sustained economic growth) do not compel us to recognize their interconnectedness. But as both democracy and development are reconceptualized, the conventional and dichotomous view is slowly being replaced with a superior and integrated policy rationale. One outcome of this reconceptualization is that social policies and citizenship entitlements are gradually moving from the margins to the centre of attention and debate. Yet there is a long way to go before an integrated analytical framework can fully emerge, and several key questions remain unresolved. How, for example, are development priorities to be established and reconciled? Given the fact that most new democracies are likely to contain vast numbers of poor citizens, how can democratization and social development be stabilized and conflicts managed?

The darker side of how politics and social policy can interact is captured in

Judith Tendler’s analysis of what she calls the “devil’s deal”—the deal between politicians and myriad small firms (SFs) and informal sector (IS) firms whereby political allegiance is exchanged for tacit waiving of tax, labour and environmental regulations. The current emphasis on small and informal sector firms is part of the broader social policy agenda of reducing poverty and unemployment. Yet the dynamics of the devil’s deal, reinforced by the dismissive attitudes often held by public officials toward the SF/IS sector (which tends to be seen as a “social welfare” issue) effectively undermines that broader agenda by condemning this sector to low-level economic stagnation, degradation of the environment and violation of workers’ rights. The blanket support extended to small and informal sector firms may be ideal for garnering electoral support, argues Tendler, but it is less than ideal for generating sustained, employment-enhancing economic development. The latter would require far more strategic and selective assistance, as well as requirements that the cost of environmental and labour standards be met.

In her contribution to this issue of **UNRISD News**, Maureen Mackintosh reminds us of some of the core objectives and values underpinning social policy: forging egalitarian and inclusive societies through sustained progressive redistribution. More specifically, she focuses on the political economy of redistribution in the case of health care, and draws some pointers from the literature to identify more precisely the conditions that lead to redistributive success or failure. Successful redistribution requires legitimate and reciprocal social relationships (whether through social insurance or public provision). It is more likely to happen where rights to health care have been fought for as an element of citizenship. It is easier to build inclusive and redistributive health care systems where private provision is *not* (and has

not been) dominant. She also warns that we should not expect too much redistribution to occur in small communities. These are valuable lessons that raise serious questions about some of the cherished policies promulgated through the dominant health and development agenda: privatization, safety nets and community provision.

In *The Last Word*, Ha-Joon Chang takes us to East Asia, rejecting the argument that East Asia was “economically” successful because it was a “social policy-

free zone”. He contends that it was only because of a range of “social policies”—some more implicit than others—that the East Asian countries managed to achieve social peace and economic prosperity. It may be possible to increase the “efficiency” of the East Asian economies by abolishing some of these provisions, as some internal and external critics claim, but this is likely to increase social tensions and political unrest, and may ultimately damage their prosperity. However, this is not to deny the need for social policy

reform, as many of these countries have a long way to go before they can claim to have established genuinely inclusive and cohesive societies. As the other contributors would remind us, the latter is not merely a technical matter, but a crucial element in the fight for democratic governance.

Shahra Razavi of UNRISD wrote this introductory article and provided valuable assistance with several other contributions in *Essential Matter*.

An Economic Policy for Growth and Social Progress

Giovanni Andrea Cornia

The economic-social nexus in public policy: A two-way street

The integration of social and economic policy has long challenged policy makers. One aspect of this challenge has involved adopting social policies that promote growth while improving human well-being. Research has shown, for example, that social measures promoting education, nutrition, equity, gender balance, social cohesion and empowerment generate high economic returns and a stable macro economy. The same applies to the creation of social “safety nets”. A second, equally crucial, aspect of this challenge concerns the nature of economic policies that simultaneously generate growth *and* social progress. This is an area where opinions among scholars and policy makers still vary substantially, particularly in the field of macroeconomics. For this reason, my comments focus on this area.

First things first: Basic pro-poor/pro-growth structural reforms

The main elements of basic pro-poor/pro-growth structural reforms are broadly known and agreed on by most scholars. Despite this broad consensus, little has taken place over the last two decades in pro-poor/pro-growth policy

formulation and implementation. In fact, some of the key issues have slipped off the policy agenda entirely.

One important area of scholarly consensus involves redistributive land reform. However, the operations department of the World Bank (for example) regards land reform as “off limits”. This stalemate could be broken by implementing agrarian reforms in a “power compatible” manner, that is, in a way that combines state coercion in favour of the poor with the unloading of the cost of the reform not only on the large landowners but also on the urban rich (via taxation), the urban middle class (through higher food prices) and the beneficiaries of the reform themselves (via reimbursable long-term credits). Taxation of land can also help trigger market-based redistribution. Land taxes are currently non-existent in much of the developing world, though large landowners often benefit inordinately from public investments in rural infrastructure.

The reform of public expenditure and taxation is another area in which substantive policy change is called for. Often, the non-poor benefit disproportionately from public spending, their

benefits far exceeding the taxes they pay. However, refocusing public spending on basic health care, primary education, and safe water and sanitation requires an upgrading of state capacity in addition to political will. Similarly, tax systems must be improved if they are to collect the additional revenues needed to pay for the delivery of social services to the poor. Archaic tax institutions allow substantial avoidance and evasion of income and wealth taxes. This forces an over-reliance on indirect taxes and user charges—a distortion often encouraged by the short-term programmes promoted by the International Monetary Fund (IMF) and premature capital-account liberalization that facilitates tax evasion.

Correction of market failures in the credit and insurance markets is a third efficient and equitable policy on which there is broad agreement in scholarly circles. Well-designed micro-credit programmes are doing much to raise the incomes of the poor. Less attention has been given to insurance, however, which remains unavailable to people who wish to insure themselves against household-specific risks, and natural disasters such as droughts and floods.

Redesign stabilization—**to avoid sharp demand contractions**

Distributionally sensitive, pro-poor macroeconomic policies—that re-establish fiscal and external balance while limiting output contractions and social costs—are badly needed, but debate and experimentation in this area have progressed little during the last two decades.

Stabilization is in most cases necessary, unavoidable and beneficial. Yet conventional stabilization instruments generate large recessions and poverty surges. The challenge is to pursue stabilization in ways protective of growth and of the poor (ways that the IMF and the World Bank say they are now looking into). A first possible area of change concerns the targets for inflation and the budget deficit. In spite of evidence that driving inflation below 40 per cent produces no discernible growth benefits, orthodox programmes often compress aggregate demand sharply to reduce inflation to single-digit rates. Second, standard deficit reduction targets, which often err on the side of excessive fiscal prudence, should also be reviewed. Third, the pace of deficit reduction merits rethinking: gradual but irreversible cuts (perhaps accompanied by import controls and export subsidies to improve the balance of payments) are technically and politically more viable than more ambitious but unsustainable ones. Fourth, in countries with low tax/gross domestic product ratios, fiscal deficit reduction can be achieved through higher taxation rather than expenditure cuts, yet the former approach is rarely espoused in IMF programmes. Finally, as highlighted by the recent debate on the East Asian crisis, stabilization may be better achieved through greater reliance on devaluation, rather than on interest rate hikes.

A selective approach to external liberalization and privatization

Similar concerns can be voiced about external liberalization. For a limited

number of countries (mostly in East Asia) a mixture of favourable domestic conditions in the field of human and physical infrastructure, prudent macroeconomic policy and selective external opening have permitted access to the benefits offered by global markets, international savings and technology transfers. These countries integrated themselves into the world economy through a mixture of outward orientation and unorthodox policies—high tariff and non-tariff barriers; public ownership of much of the banking sector; patent and copyright infringements; and restrictions on foreign capital flows—violating in this way practically every prescription of the orthodox model. But, for most other developing countries, external liberalization has not yet lived up to its promises.

No doubt, the latter countries have an interest in strengthening their human resource base, infrastructure and macroeconomic balance. Such measures produce high economic and social returns, while improving external competitiveness. But it is equally clear that under the present rules of access to international markets, their further liberalization will not by itself promote growth and poverty reduction. For these countries, gradual and selective integration into the world economy—linked to the removal of the major asymmetries in the structure of global markets and the creation of democratic institutions of global governance—is preferable to big bang liberalization.

The most problematic component of external liberalization concerns the opening of the capital account. Premature liberalization in the context of weak financial regulation has turned out to be a recipe for macroeconomic and social disaster. The economic and social benefits of reducing financial instability are therefore considerable. However, international action to reduce short-term capital flows is blocked by powerful financial interest groups that

benefit from high capital mobility, and by scholarly disagreement. In the absence of global regulation, domestic policies should focus on strengthening prudential regulation and controlling destabilizing short-term capital flows.

Finally, privatization—which has often moved in line with the spread of cross-border acquisitions—must be pursued in a pragmatic, non-ideological way. There are several examples of efficient and pro-poor privatization programmes in housing and agriculture, such as the case of Chinese land reform. The privatization of industrial assets and public utilities has proved more complex—and in many cases, privatization has been a story of insiders taking advantage of weak corporate governance and regulations to strip the economy of assets. Realizing the benefits of privatization depends on the careful design of privatization itself, effective post-privatization regulation and competition policy. In practice, the creation of effectively competitive markets and of incentives for all stakeholders should take precedence over the establishment of private property rights for the sake of it. The idea that any privatization is better than no privatization should be rejected.

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Social Policy and Macroeconomic Performance: Integrating “the Economic” and “the Social”

Diane Elson

The quotation marks around “the economic” and “the social” in the title aim to alert us to the fact that this is an abstract duality. People do not live their lives in two separate domains: the aspects of life that we label “economic” and “social” are intertwined; and the policies that we label “economic” and “social” have ramifications for both dimensions.

Recent questioning of the neoliberal policy agenda has been characterized by a rediscovery of the social. But this revalidation is taking place mainly at the micro level and, indeed, only on terms that are compatible with neo-classical thinking. At the macro level, the social continues to be an afterthought. While there is spreading recognition of the need to integrate macroeconomic management and “social policy”, the dominant tendency is to design “sound” macroeconomic policies (with a focus on market-based criteria, an overriding emphasis on stabilizing the price level, and a reduction of the role of the state), and then to *add on* social policies in order to achieve socially desirable outcomes, such as poverty reduction.

This is how the World Bank’s Comprehensive Development Framework (CDF) operates. The CDF does not explicitly consider macroeconomic policy: “prudent” fiscal and monetary policies are described as the “essential backdrop” of the CDF, and the specification of exactly what these are is treated as beyond discussion. A similar tendency marks the recent concern of the International Monetary Fund (IMF) with social policy in the context of debt-relief initiatives. The emphasis has been to help those adversely affected, through sectoral policies, not to rethink the design of macroeconomic policies and the

organization of the policy process. For both institutions, “participation” in policy dialogue extends to only micro and sectoral policies, while the macroeconomic agenda is not open to debate.

Mainstreaming social issues in macroeconomic policy

An alternative approach to integrating the economic and the social would start with mainstreaming social issues in macroeconomic policy through rethinking the macroeconomic agenda

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and the policy process in which that agenda is formulated. The idea of “mainstreaming” is more fluid than “adding-on”. It has been developed in the context of attempts to change analysis, institutions and policies to promote gender equality. It implies a transformation of the balance of socioeconomic forces.

A good starting point for mainstreaming social issues in macroeconomic policy is to reopen the question of what constitutes “sound” or “prudent” macroeconomic policy. We must begin by insisting that there are more than two alternatives: we do not have only the choice between, on one hand, World Bank- or IMF-approved “responsible

policy” and, on the other, hyperinflation with falling per capita income. First, macroeconomic policies that are sound, in the sense of balancing the budget, keeping inflation down and accepting the current balance of financial power, can be quite unsound in human terms, if they destroy human capabilities because people lose their paid employment and access to public services. Much of the feminist critique of neoliberal macroeconomic policies has made this point.

Second, the identification of viable alternatives depends on the ensemble of social *and* economic forces. While there are, indeed, real resource constraints on the achievement of social goals, these constraints are not directly the object of macroeconomic policies. Instead, macroeconomic policies address financial constraints. And financial constraints depend on patterns of ownership and control of financial resources, as well as people’s willingness to pay taxes or buy government bonds. These constraints are therefore socially variable and socially malleable.

Social biases in macroeconomic policy

There are three important social biases in much of current macroeconomic policy: deflationary bias, male breadwinner bias and privatization bias.

Deflationary bias

Liberalized financial markets have led governments to adopt policies—high interest rates, tight money supply, fiscal restraint—whose primary aim is to maintain “credibility” in financial markets, in order to attract and retain short-term capital. Yet evidence shows that investment rates and growth rates have fallen when such policies have been implemented. The result, a *deflationary bias* in macroeconomic

policy, prevents governments from dealing effectively with recession. It also has a disproportionately negative effect on women. For example, according to a 1999 United Nations review, the adverse effects of the Asian crisis were amplified for women because of gender inequalities in labour markets and households. Creditors were bailed out, while poor women acted as unpaid providers of last resort. In this instance, as in many others, the macroeconomic policies insisted on by the IMF did not simply have a negative social *impact*; their design embodied a profoundly unjust social *content*, giving the financial rights of creditors priority over the human rights of the peoples of East Asia. This was not because there was no sound alternative macroeconomic strategy, but because the IMF chose to prioritize the interests of the creditors.

Male breadwinner bias

Removal of deflationary bias would not by itself deal with all macro-level, systemic sources of social bias. Feminist economics draws attention to another type of macro-level social bias: the *male breadwinner bias*. This is the bias that comes from assuming that the unpaid care economy is linked with the market economy through the wage paid to a male breadwinner, which provides for the cash needs of his dependents (women, children, the elderly, the sick). This bias ties the right to claim social benefits from the state (access to services, cash transfers, pensions) to full-time, life-long, working-age participation in the labour force. Those whose participation does not fit this norm typically have lesser rights, which they can frequently only exercise as dependents of those who do fit the norm. The result has been the exclusion of many women from such entitlements, and the reduction of the entitlements of many others, making women dependent on men, especially during periods of their lives when they are intensively involved in taking care

of children and elders, and when they themselves become elders.

Macroeconomic policies that rely *solely or principally* on full employment to achieve social goals, such as equitable income distribution and elimination of poverty, tend to suffer from the male breadwinner bias. Such policies rarely take into account the relationship between paid and unpaid forms of labour; and the latter are as crucial to fulfilling human needs as are the former. In order to be gender-equitable, full-employment policies must be complemented by citizen entitlements for those in informal or part-time paid work, as well as those who provide unpaid care.

Privatization bias

The male breadwinner model is now being superseded, but not by gender-equitable reform of state-based entitlements. Instead, the current trend is toward a drastic reduction of state-based entitlements, and their replacement by market-based, individualized entitlements—private pensions, private health insurance, private schools, private retirement homes—for those who can afford them, and poverty and overwork for those who cannot. The *privatization bias* is the third pervasive macro-level social bias. It occurs when macroeconomic policy is designed to minimize the role of public provision. Not only is there pressure to minimize the budget deficit, there is also pressure to minimize levels of taxation and public expenditure. This has profound and disturbing implications for the organization of the social reproduction of families and communities, and for the women who provide a disproportionate share of unpaid care work upon which social reproduction rests.

Social dialogue and macroeconomic policy

Macroeconomic policy will always be a balancing act. Today it is largely organized as a technocratic exercise. It

needs to be moved more in the direction of a social dialogue in which the underlying tensions between capital accumulation and social reproduction are explicitly recognized and made subject to democratic discussion, scrutiny and control.

The possibilities of determining macroeconomic policy through an open social dialogue in which different interests can exercise their voice, and in which social objectives can be explicitly brought into view, is foreclosed not by the technical requirements of macroeconomic policy, but by the fear that financial institutions, and free-flowing capital, can exercise the exit option with ease. This ability to exit rather than join in a policy dialogue is a result of the openness of capital markets. Ironically, open capital markets lead to an *absence* of openness in policy discussion, for fear that the wrong signals will be sent to investors. It is difficult to conduct a policy dialogue when some of the key players have no stake in the outcome beyond the next few hours.

In order for social goals to gain greater weight it will be necessary to challenge and change macroeconomic analysis and policy processes. This will require not only alternative forms of analysis, but also new and more inclusive forms of policy dialogue that embrace a wide range of interests and social groups.

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Toward Developmental Democracies? Some Analytical Questions

Laurence Whitehead

If democracy is understood as no more than the holding of competitive elections, and the consequent alternation in government of rival parties in accordance with the changing preferences of the electors, then the spread of democracy may have little bearing on social development. Similarly, if development is understood as essentially consisting of a high and sustained rate of economic growth, perhaps accompanied by some social emergency funds and some targeting of benefits to the very poor, then the choice between establishing a democracy or maintaining an authoritarian regime may be more clearly linked to the *style* of social development than to its *level*. At this degree of abstraction, it is possible to think of interconnections between democracy and development that could be supportive, and of others that could be obstructive, but neither type of linkage looks particularly compelling.

Since the 1990s, however, the conviction has grown that democracy and development are more intimately interconnected and more positively associated than this. Data from many countries have been used to test for such an association (with somewhat mixed results), and various democracy-related terms—participation, civil society, empowerment—have assumed increasing prominence among the goals pursued by international development agencies. As more developing countries have adopted at least the outward appearance of democratic political practices, the traditional lobby opposed to linking democracy with development has weakened. The majority of developing countries can now hope to benefit if developmental assistance carries democratic conditionality, and donors are increasingly inclined to associate democracy with social development

and therefore attach such conditions to their assistance.

If this shift in beliefs and practices is to prove more than just a passing fashion, it will have to be accompanied by a reconceptualization of both democracy and development. Fortunately, just such a debate may be getting under way in the relevant scholarly communities. Social development provides the key point of intersection between the

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separate academic discourses of democratization and economic development. To the extent that these discourses converge, social policies and citizenship entitlements will move from the margins to the centre of attention. But it is one thing to shift the focus of attention, and quite another to integrate the new objects of study into a coherent and operational analytical framework. Given the intellectual difficulties involved, it is all too tempting for development agencies to maintain the established framework, with some “add-on” references to social development, environmental sustainability, gender equality or political empowerment that sound encouraging but that do not disturb core assumptions or

modes of analysis. Similarly, advocates of democratic conditionality find it tempting to treat social welfare as an optional extra.

However, the established framework confronts mounting difficulties, both practical and political. On the practical side, with the spread of democracy come growing demands for decentralization and the devolution of public policies to local levels of government. Similarly, with the spread of market-based systems of competition and allocation comes a shift of economic power away from government agencies. Moreover, where social development has been allowed to falter, perhaps through omissions arising from too narrow a conception of “good performance”, the evidence has increased that such omissions easily produce negative feedback that can eventually destabilize procedural democracy and/or disrupt “sound” growth strategies. Practical considerations of this kind, reinforced by the political preferences of a growing number of both donor and recipient governments, have driven defenders of the old framework to make concessions. However, those who favour the incorporation of “softer” styles of explanation and evaluation have yet to develop generally accepted alternative approaches.

It should be possible to move beyond this state of affairs, and to reconceptualize both democracy and development in a manner that would provide a superior and integrated policy rationale. The UNDP’s *Human Development Report*, UNRISD’s *Visible Hands*, and a range of academic initiatives indicate that the search for a substitute framework is well under way. It is increasingly recognized, for example, that freedom of expression

and association somewhat offset the risks of man-made famines and other preventable “natural” disasters. Citizens with voting rights can exercise some leverage over public policy priorities, and may prefer clean drinking water to pharaonic dams and other such projects. If social development elicits local ownership and citizen participation, it may constrain wasteful arms expenditure and tilt international relations toward co-operation rather than conflict. The traditional separation between politics and economics, both narrowly conceived, obstructed investigation of such potential linkages (forgetting what Gunnar Myrdal once taught us about “cumulation and circular” causation in development studies).

But at least four big analytical questions remain unanswered. First, how are developmental priorities to be established, and reconciled, once the traditional criterion of growth maximization has been relaxed? Second, how is good performance to be evaluated if a variety of somewhat competing and partially subjective long-term goals become central to integrated “social development”? Third, since by any realistic definition long-term democratic social development provokes resistance and conflict, and is therefore prone to periodic interruption and even reversal, how is such turbulence to be interpreted and (possibly) managed? Finally, since even the most optimistic assumptions about the pace of progress hold that most new democracies will continue for generations to include large numbers of poor citizens whose urgent social policy needs can at best be addressed only gradually, how can democratization and social development be stabilized in the intervening decades?

Merely listing these questions is sufficient to demonstrate the scale of the task required before an integrated new analytical framework can fully substitute for the old dichotomy. Here are a few tentative responses.

First, on the establishment of developmental priorities, in principle the answer must lie with the newly enfranchised citizens of these developmental democracies. As democratization proceeds, ownership of the development process is bound to pass from the specialized agencies and ministries toward the local authorities and societies directly and permanently affected. (Admittedly, this assertion rests on a view of democratization as a long-term, cumulative process of social learning.)

Second, on the evaluation of social development performance, international comparative indicators will remain indispensable, and will have to be further refined. But on an integrated view of development, all evaluations will need increasingly to take account of the expectations and perceptions of the citizens in question. That, too, follows from the idea that democratic development requires local ownership.

Third, the realities of conflict in long-term processes of social development pose a severe analytical challenge that cannot be resolved purely by invoking democratic authority. Local ownership must be qualified by respect for the opinions and experiences of others. Social development in a liberalized international system must be cosmopolitan, and constrained in an agreed framework of basic rights and values. For this reason, an integrated approach will require co-operation and co-responsibility across international boundaries. A social catastrophe in, say, Afghanistan or Albania can jeopardize both democracy and development far afield. Recently there has been some progress in generating norms of conduct for managing such conflicts, but the challenges remain acute.

Finally, at the domestic level, the management techniques needed to contain frustration while gradually diminishing the backlog of legitimate and unmet citizen demands can easily jar

with both the standard operating procedures of development agencies, and with the impersonal logic of the market economy. Once democracy is understood as more than the alternation in government of rival parties, politics regains its status as an autonomous sphere of social action with its own messy logic, and awkward outcomes. UNRISD is right to refer to the “visible hands” that will then “take responsibility for social development”, but more analysis is needed to distinguish the legitimate exercise of democratic authority from the old vices of mismanagement veiled with good intentions. Once development is understood as a process of social construction and not just of growth maximization, then local creativity and experimentation can be celebrated. But here, too, lurk the dangers of distortion and manipulation. A strong analytical framework, grounded on solid international consensus and backed by widely accepted lessons of experience, will be required if such experiments are to be more than cosmetic “add-ons” to development, and are not to prove costly “subtractions from” conventional growth.

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The Informal Sector, Small Firms, and the Devil's Deal¹

Judith Tendler

Over the last decade or so, myriad programmes, projects and policy reforms have focused attention on informal sector (IS) firms and small firms (SFs) in general, as part of a broader social policy agenda of reducing poverty and unemployment. Despite this welcome attention, many planners in developing countries continue to see SF/IS programmes as “only” welfare, rather than the stuff of “serious” economic development. The particular form taken by SF/IS support in many countries reinforces this view, as does the way SF/IS support is often embedded in electoral and clientelistic politics. This jeopardizes certain benefits that are crucial to the current agenda of reducing poverty and unemployment—namely, greater observance by firms of environmental and labour regulations, and sustained increases in the quantity and quality of jobs resulting from increased output, efficiency and productivity in local economies.

I was first struck with the darker side of SF/IS support when interviewing economic development officials of a Brazilian state government. I expressed surprise that they had *not* included, in a new programme to identify and support small firms, a particularly vibrant group of small garment producers. The officials explained that they could not place government in the awkward position of elevating to “growth pole” status a cluster of small and medium firms notorious for not paying taxes and not observing other government regulations. At the same time, however, they did not see themselves as having the option to enforce these regulations, even as a *quid pro quo* for providing public support under the new programme. This was because the garment sector was concentrated in two municipalities of several thousand electors, an important political constituency in the region.

After visiting some other places and reading about cases in other countries, I came to interpret what I was observing as a kind of unspoken deal between politicians and their constituents—small firm owners, many in the informal sector. If you vote for me, according to this exchange, I won't collect taxes from you; I won't make you comply with other tax, environmental, or labour regulations; and I will keep the police and inspectors from harassing you. I call this tacit understanding “the devil's deal” because it causes informality to become more attractive, and formalization less attractive, than they otherwise might be. Once the deal is made, moreover, it is difficult for either side to get out of it, as the aforementioned comments of the Brazilian officials reveal. In certain ways, then, the devil's deal can pose just as significant a barrier to formalization and upgrading of small firms as the actual costs and red tape of formalization and regulation, so emphasized in the policy literature.

The dynamic of the devil's deal also reinforces the dismissive attitudes held by public officials toward smaller and informal sector firms. To the extent that they acknowledge the importance of SF/IS assistance, they often view it as a “welfare” measure that belongs in “social” agencies rather than economic development ones. In their eyes, support to small firms will help mop up the unemployment resulting from the restructuring of the economy and the institutions of government. Also contributing to this view, albeit inadvertently, are international donors, who tend to couch their current SF/IS assistance, such as micro-enterprise programmes, in terms of safety net measures for poverty reduction.

The devil's deal offers far more to SF/IS clusters than just looking the other way from their violation of regulations. Governments often grant small firms a kind

of “burden-relieving” and “universalist” support in which there is something for everyone—cheap credit, blanket credit amnesties when times are bad, exemptions from certain taxes and regulations. These exemptions are burden relieving in that they reduce the costs of SFs (or keep costs from increasing) in a way that requires no effort on their part. They are universalist in that they benefit *all* small firms—whether they want to grow or not, whether they are seeking to improve their efficiency or not, and regardless of sector.

In maximizing the number of satisfied constituents, this kind of support to small firms is ideal for maintaining and increasing electoral support. It is less than ideal, however, for stimulating local economic development that is sustained and employment enhancing. Today, those forms of public support for local economic development that are most widely agreed on by the international development community do *not* have this universalist and burden-relieving character. In some ways, in fact, they are just the opposite. They strategically identify and try to remove bottlenecks to improved efficiency, productivity and marketing for a particular sector, often requiring the broad involvement of the sector in this process; and they may directly benefit only those firms most capable and most interested in upgrading their production, which in turn often leads to the latter's formalization.

Small-firm associations, particularly when part of federated or corporatist structures, often press more for universalist exemptions than for strategic supports. This partly relates to the fact that the category “small firm” is such a heterogeneous one. It includes firms that are rustic and sophisticated, producing in different sectors, and located in different places. For such associations to make demands serving all their members, they

will have to appeal to the broadest common denominator. The universalist and burden-reducing demands have just that quality, helping out a small garment firm in an interior region as much as a sophisticated computer software firm in the capital city. In this sense, however, the category “small firm” amounts to the *lowest* common denominator, in that the support that fits this standard is least likely to lead to a sustained increase in employment and development. The focus on SFs as a category, then, works inadvertently in the same direction as the devil’s deal.

We do not know much about the circumstances under which universalist concerns and demands will dominate strategic ones, and vice versa, in SF associations. (In many, they co-exist.) At the same time, however, putting together and lobbying for a strategic agenda requires harder work over a longer period of time—more deliberation, analysis and consensus—than lobbying for burden-reducing exemptions and subsidies. In this sense, the universalist exemptions of the devil’s deal will be more appealing to SF associations because they are easier, just as they are more appealing to politicians because of their greater political yield.

Focusing on the difficulties small and informal firms face in meeting the costs of environmental and labour standards distracts from the pursuit of opportunities for firms to meet these standards, rather than be exempted from them. Though we are used to thinking that small firms need protection from such “excessively” burdensome costs, there are many cases in which they have actually met those costs *and*, contrary to the burden-relieving scenario, have been better off for it.² That is, they became more efficient, produced higher quality goods, and gained new access to outside markets. Although these cases may represent a minority, their further study is likely to reveal lessons on how to promote SF dynamism while *not* compromising—as does the burden-reducing approach—concerns for increasing the rule of law, reducing environmental problems, protecting workers’ rights and upskilling labour. Research could also provide insight to the sequences of events and other circumstances under which local actors actually make the transition from burden-relieving to strategic and transformative initiatives.

While policy sympathy for small firms as a category deserving assistance is desir-

able on many grounds, the concern about protecting them from reasonable regulations—let alone from the vicissitudes of the market—can become toxic when combined with the political dynamics of the devil’s deal. The waiving of tax, labour and environmental regulations that results from sympathy for the “plight” of small firms may hinder rather than help local economies if it condemns them to low-level economic stagnation, environmental degradation, and violation of workers’ rights. Clearly, such situations increase unemployment and poverty and, in so doing, make it even more difficult to reduce poverty through social policy.

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¹ Copies of the longer paper from which this article has been excerpted may be requested from tendler@mit.edu. For very useful comments on an earlier draft, I thank Nichola Lowe, Mick Moore, Hubert Schmitz and participants in seminars sponsored by UNRISD in Tammvik, Sweden; the Institute of Development Studies, University of Sussex, United Kingdom; and Cornell University, Ithaca, New York.

² Five examples of such cases are presented in the unabridged paper.

The Political Economy of Redistributive Social Policy: Issues from Health Care

Maureen Mackintosh

Research on social policy and development requires a clearer focus on the political economy of redistribution; health care policy provides an important illustration of this assertion.¹

The literature on health care policy in the context of development is characterized by an emphasis on egalitarian objectives—and by repeated demonstration of redistributive failure. Yet detailed research on the political economy of these policy failures is much harder to find. Instead, the dominant approach is prescriptive, focusing on

methods for targeting government funding and foreign aid toward the poor, rather than on shaping the distributive outcomes of social provisioning that involve both the public and private sectors.

The contrast with some European social (including health care) policy analysis is sharp. Here, social policies and processes are closely related to social structures, and to broader political and economic processes. This literature includes historical and comparative work on welfare regimes, as well as

theorizing of policy processes based in historical analysis; research on social exclusion that draws strong links between economic change and social policy; and the social construction of welfare policy.

Research by scholars in middle- and low-income countries, of the kind needed to build such a body of literature in the development context, is expanding. An example is Kajjage and Tibaijuka’s analysis of social exclusion in Tanzania, which combines an emphasis on understanding individuals’

experience of marginalization through economic deprivation and social isolation, with an analysis of the context of that exclusion in social and economic divisions and in policy interventions.² We need more such work, combining detailed economic analysis of distributive processes and outcomes with historical and sociological examination of the interaction between social sectors and the broader economy and polity.

Sustaining progressive redistribution is difficult in unequal societies, given the power and desire of elites to accumulate resources. However, the elites in such societies differ in their redistributive behaviour, and these differences are related both to political process and ideology, and to culture and institutions. If we define “redistributive” behaviour as encompassing all the social processes that create increasingly inclusive or egalitarian access to resources, then empirical observation of successful redistributive behaviour in health care suggests the following.

First, sustained redistributiveness is achieved when redistribution is embedded in legitimate, and reciprocal, social relationships. Thus, Western European and Japanese universalist health care provision—whether institutionally and discursively constructed as “social insurance” or “public provision”—embeds high levels of redistribution in socially inclusive insurance mechanisms; this mix seems likely to explain the social sustainability of the systems.

Second, health care access and redistributiveness have been developed and sustained where rights to health care as an element of citizenship have become an arena for political competition: the process is well documented for Kerala state (India) and for Taiwan Province of China, for example, two very different contexts in which access to health care is widespread and redistributive in its effects.

Third, highly inclusive and redistributive health care systems have historically

been built up—in culturally specific contexts—from patchworks of public, mutual, charitable, employment-based and private provision, through political processes at the national level. Systems that are not highly socially segmented are easier to universalize than private fee-for-service systems.

Fourth, we should not expect too much redistribution in small communities. However, there are some circumstances in which this can occur. For example, a community-based health care exemption scheme for the very poor in Thailand was found to work unusually well,³ but it was supported by clear national guidelines. In general, larger scale, more impersonal rules, legitimated through social and political processes, appear to be central to successful redistribution.

Finally, redistributive action—including health care—has historically been closely involved in nation building and the construction of concepts of citizenship. Welfare systems construct, and are constructed on, notions of who is and who is not a full citizen; hence they exclude and stratify (in the United Kingdom, for example, by “race”, gender and social class). Health care systems are thus bearers of broader social relations of inequality, and also a political “stage” for the constitution and contestation of notions of the rights of citizens: they are therefore important building blocks of legitimate democratic states.

The redistributive commitment of the state is thus an endogenous variable: it is deeply influenced by the patterns of social class, inequality and exclusion in society, and also by the particular institutions of social provisioning. African scholars and health care practitioners point out, for example, that the liberalization of private health care provision, with its implicit legitimation of inequality within the system, is not likely to be associated in practice with a *rising* government commitment to redistribution, although this is assumed in many reform strategies for African

health care, such as those in a number of East African countries, all of them very strongly driven by donor agendas.

The social policy and development literature will therefore benefit from more work examining in context the political economy of redistributive success or failure. The European experience suggests that temporary political compromises between acceptance of embedded social inequalities and of redistributive action—called “social settlements” by some European researchers—help to stabilize the success of redistribution over time. Such arguments focus attention on the culturally specific processes whereby redistribution has been actively fought for in different countries, and on the fact that associating rights to make claims for social provision with the construction of citizenship can be both effective and double-edged. Redistribution through social provisioning has never been a merely “technical” matter: it was a crucial element in the fight for democratic governance in countries where it has been effective.

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¹ This article has been excerpted from a paper based on joint research with Paula Tibandebage, of the Economic and Social Research Foundation (ESRF), Dar es Salaam, Tanzania, with whom it is being rewritten for publication. The support of UNRISD is gratefully acknowledged, as is research funding from the United Kingdom Department for International Development (DFID). The opinions expressed herein are solely those of the author.

² F. Kajage and A. Tibaijuka, **Poverty and Social Exclusion in Tanzania**, International Institute for Labour Studies, Geneva, 1996.

³ This scheme is described in L. Gilson, et al., **Exempting the Poor: A Review and Evaluation of the Low Income Card Scheme in Thailand**, PHP Departmental Publication No. 30, London School of Hygiene and Tropical Medicine, 1998.

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Krishna B. Ghimire is a Project Leader at UNRISD.

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Cynthia Hewitt de Alcántara is the Deputy Director of UNRISD. **Alberto Minujín** is a Senior Specialist in Policy Analysis with the Policy, Planning and Evaluation Division of UNICEF.

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Editorial Team: This UNRISD report was prepared by Peter Utting (project co-ordinator); Cynthia Hewitt de Alcántara, Yusuf Bangura, Thandika Mkandawire, Shahra Razavi, Peter Utting and David Westendorff (chapter co-ordinators); and Peter Stalker and Cynthia Hewitt de Alcántara (principal editors).

Translated from the English original by Martine Cullot.

Mains Visibles: Assumer la responsabilité du développement social, ISBN 92-9085-036-1, 195 pages, 2001, \$25, CHF40, FF150.

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- Gender Justice, Development and Rights: Substantiating Rights in a Disabling Environment, Report of the UNRISD Workshop, New York, 3 June 2000
- Social Policy in a Development Context, Report of the UNRISD International Conference, Tammsvik, Sweden, 23–24 September 2000
- Improving Knowledge on Social Development in International Organizations, Report of the UNRISD Seminar, Bellagio, Italy, 7–8 November 2000

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Racism and Public Policy

Durban, South Africa, 3–5 September 2001

Racism, racial discrimination, xenophobia and intolerance are worldwide problems. They affect social relations, influence structures of opportunity and life chances of individuals, and provoke violence and wars. Slavery, colonialism, genocide, the Holocaust and apartheid represent the most extreme forms of racism in world history; but other overt and subtle forms of racism persist to this day. Furthermore, the legacy of institutionalized racism continues to weigh heavily on the development prospects of many groups and countries, to influence prospects for social integration and accommodation, and to affect the efficacy of public policies for promoting equality, justice and social development.

The third World Conference against Racism, Racial Discrimination, Xenophobia and Related Intolerance will be held in Durban, South Africa, from 31 August to 7 September 2001. UNRISD is contributing to this event by organizing a conference on Racism and Public Policy, which will provide participants attending the World Conference, and the wider public, with research-based information and a neutral forum in which to discuss the sensitive issues of racism and xenophobia. By combining academic research with a strong policy focus, this UNRISD initiative represents a unique and comprehensive contribution to the World Conference.

The UNRISD conference will focus on four broad themes: how the construction of race and racism affects social solidarity and citizenship; the socio-economic and political forces that drive racism and inequalities; the responses of organized groups, social movements and political parties to cultural or racial diversity; and the impact of public policies on race relations.

The social construction of race and citizenship

Race is socially constructed, not biologically determined. The practice of classifying humans according to distinct races has been discredited by genetic research. However, physical differences structure perceptions and constitute a significant source of prejudice in social relations. Racial ideas may influence discourses on integration, encourage insular or xenophobic practices, and

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distort perceptions about rights and citizenship. Citizens are supposed to have equal rights and obligations. In polarized racial settings, however, social solidarity, the cornerstone of citizenship, may be embedded in racial—not civic—networks, affecting the way the public domain is governed. Nevertheless, it is instructive to note that all communities, whether based on racial identification or ethnicity, are complex, undergo change, and experience internal diversities and conflicts. Race, in other words, is not only constructed: it is also contested.

At the UNRISD conference, two panels will address the theme of race and citizenship: race, caste and citizenship; and minorities, indigenous peoples and citizenship. Countries and regions to be covered include the Afro-Arab borderlands, Latin America, South Africa, South Asia, Southeast Asia and the United States.

The social dynamics of racism and inequalities

Under the second theme, the conference will explore the economic, social and political processes that generate racism and discrimination. Racism and inequalities may be linked to discriminatory public policies, the way labour markets are structured, and differential access to governance institutions. Rapid integration of economies into world markets, advances in information technologies, international migration, economic crises and land alienation associated with colonial conquest may alter structures of opportunity and shape the dynamics of race relations.

This theme will be addressed by three panels at the UNRISD conference. The first will focus on economic change and racial inequalities, including presentations on globalization, economic growth and racial inequalities in the United States; economic crisis and ethno-racial conflicts in Southeast Asia; and labour market segmentation and race relations in Southern Africa. The second panel will examine issues related to land distribution and race relations in Australia, Latin America and Southern Africa. The third will consider migration, multiculturalism and the nation state in Europe; and migrant workers, xenophobia and public policies in oil-rich countries of the Middle East.

Organized responses to cultural diversity

Racism often needs mobilizers, organizations and a discourse to activate or

sustain it. Under this theme, the UNRISD conference will discuss how racist ideas enter the public domain, how different types of social groups get recruited into racist or xenophobic movements, how such movements sustain exclusionary discourses and enjoy legitimacy in sections of society, and how the agendas and activities of racist or xenophobic groups evolve over time. It will also examine how victims of racial discrimination, and multiracial civil rights groups and parties, have responded to racism, xenophobia and intolerance. There will be one panel of four presentations on this subject: the civil rights movement and contemporary race relations in the United States; political parties, social movements and race relations in post-apartheid South Africa; anti-racist movements and political parties in Western democracies; and xenophobic and far-right political parties in Europe.

The impact of public policies on race relations

A number of policies exist for tackling racism, racial prejudice, discrimination, xenophobia and inequalities. The fourth theme of the conference will focus on the impact of public policies on race relations. Public policies range

from legal instruments and socioeconomic programmes to educational policies that seek to change behaviour and promote inclusiveness. They may involve sensitivity to racial cleavages in devising economic and social policies and reforming governance institutions. Targeted programmes may be adopted to correct historical injustices or to assist excluded groups to get out of poverty and exploit opportunities. Public policies may be implemented in macro- and micro-level settings where groups compete for resources and public offices. They have differential impacts, including among targeted beneficiaries. They are also often contested by different groups, which makes it difficult to predict their overall effects on social change or to draw universal lessons that may be applicable to all situations.

The conference will address these issues in four panels. The first will focus on governance reforms for minority representation, law enforcement agencies and criminal justice systems, and language and educational reforms for social accommodation and integration. The second panel will discuss racism, gender relations and public policies in New Zealand, South Africa, the United Kingdom and the United States. The

third will examine health, environmental racism and public policy. Social justice, affirmative action policies and anti-poverty programmes in Brazil, Malaysia, South Africa and the United States will be the focus of the fourth panel.

UNRISD has mobilized over 30 social scientists, historians and legal scholars to prepare papers and participate in its conference. Abstracts of the papers have provided inputs to the preparatory process of the World Conference. Two key messages run through most of the contributions. First, there is a need for governments, civil society groups, corporations and development agencies to respect cultural diversity and its underlying values of tolerance, accommodation and human solidarity. Second, public policies that promote social justice and governance institutions that are racially or culturally inclusive are a fundamental requirement for achieving the goals of the World Conference.

A special section of UNRISD ON-LINE (<http://www.unrisd.org/racism>) contains full information on this initiative, and is being updated regularly.

UNRISD Board

The thirty-ninth session of the UNRISD Board was held at the Palais des Nations, Geneva, on 25–26 June 2001.

The Board listened to the Director and staff of UNRISD present the work carried out by the Institute over the past year, and provided valuable feedback on the research and outreach initiatives under way. This was the last meeting for six UNRISD Board members, some having served for as long as six years: Björn Hettne, Graça Machel, Jonathan Moore, Harris Mule, Frances Stewart and Valery Tishkov.

Six new Board members were approved by the United Nations Economic and Social Council (ECOSOC) in July, and UNRISD looks forward to building a strong and valuable relationship with them. These distinguished individuals will join Chair Emma Rothschild and continuing members Jacques Baudot, Heba Handoussa and Marcia Rivera. The new members are Tony Atkinson, Warden of Nuffield College, Oxford, United Kingdom; Jean-Paul Fitoussi, President of the Observatoire français des conjonctures économiques, Paris, France; Anna Hedborg, Director General of the National Social Insurance

Board, Stockholm, Sweden; Jomo K.S., Professor of Economics at the University of Malaysia; Amina Mama, Director of the African Gender Institute at the University of Cape Town, South Africa; and Adele Simmons, Vice-Chair of Chicago Metropolitan 2020, Chicago, Illinois.

Interested readers will find information about the Institute's work in the **UNRISD Annual Report 2000**, which is available free of charge (see page 13 for how to order).

Rethinking Development Economics

7–8 September, Cape Town, South Africa

UNRISD and the Ford Foundation are jointly organizing a meeting on the need to rethink development economics. The two-day event, which will bring together 25 to 30 economists from around the world, aims to contribute to the revival of development economics—not as a “deviant” branch of mainstream economics, but as a subject that can aid our understanding of the acute problems typically faced by developing countries. Participants will identify research themes, strategies of influencing policy debates and ways of disseminating new thinking on development.

Until the early 1970s, problems of welfare and unemployment in the developed countries, and those of poverty and underdevelopment in the developing ones, were interpreted through the lenses of “Keynesian economics” and “development economics” respectively. But then came the oil crisis, “stagfla-

tion” in the North, and growing indebtedness in the South, which severely put to test the theories and models that had underpinned welfare and development policies for decades.

By the beginning of the 1980s, the neoclassical counterrevolution in economics was well under way. Development economics was rejected, criticized for erroneously denying the universality of rational economic behaviour and unwisely advocating the kinds of “development planning” that had distorted prices and led to poor economic performance.

Yet after two decades of neoliberal analysis and policy approaches, the goal of poverty eradication through economic development seems as distant as ever in many areas of the world. Indeed, the Bretton Woods institutions themselves are now calling for going “beyond the Washington consensus”

and “reinvigorating state capability”. Some ingredients of the World Bank’s Comprehensive Development Framework are reminiscent of—and, indeed, indicate a recognition of—the need for “development planning” earlier associated with development economics.

If development economics is to be revived, it will have to take on a whole range of issues in a vastly altered global environment: new approaches in the discipline of economics; new views of the state; the new social agenda. Yet a coherent intellectual endeavour in this direction seems to be lacking. With this meeting, UNRISD and the Ford Foundation aim to ensure that the many important analytical efforts now under way will be more than mere appendages to the orthodox (neoliberal) view of the economy, and instead constitute the first steps in a thorough rethinking of development economics.

Volunteer Action and Local Democracy +5: Partnerships for a Better Urban Future?

5 June 2001, New York

Five years ago, during Habitat II in Istanbul, UNRISD brought together researchers and community activists from Chicago, East St. Louis, Ho Chi Minh City, Jinja, Johannesburg, Lima, Mumbai and São Paulo to review the preliminary findings of their research on attempts by community organizations and local authorities to work together toward sustainable improvements in the life and livelihood conditions of low-income and marginalized groups. Contrary to the early expectations of the organizers and researchers, the case studies showed that many such

attempts at collaboration were extremely fragile, flawed and often fraught with conflict.

Since Habitat II, if not in part because of it and other global summits, the call for community-local authority collaboration and partnership has grown ever stronger. All the major development institutions, and most associations of cities and local authorities, have emphasized such mechanisms as crucial components of solutions to the seemingly intractable social and economic problems facing many cities.

Yet urban problems continue to grow. UNRISD therefore invited the researchers and community activists to revisit the cases of collaboration and partnership studied in 1996. Had they matured and overcome their early limitations? If not, what had prevented this from happening? The researchers came together for two days of closed meetings on 3–4 June to discuss their findings, and then presented them at a public meeting held as a parallel event during Istanbul +5.

The researchers found that most of the collaborative efforts that sought to ad-

dress the core issues of interest to low-income or marginalized groups were not only fragile, but also ephemeral. In large measure this derived from the local authority's lack of will or ability to implement and/or maintain its contribution to the collaboration.

Given the rhetoric of partnership and participation espoused by most of the cities in the study, this outcome seems paradoxical. On closer investigation, however, it is not. The way collaboration/partnership with civil society is understood by local authorities has rarely lived up to the demands of community organizations that goals, responsibility for action and power be broadly shared. Yet a common perspective is essential if collaboration is to be effective. Moreover, indicators of effectiveness—centring on concrete improvements in the quality of life and livelihoods of low-income groups—need to be explicit.

Of the 22 collaborations in seven cities revisited in 2001, one third had become defunct since 1996, despite the continuing existence of the problems they were meant to address and

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the desire of the community actors to continue working with local authorities. The rest had seen only limited, sporadic interaction by the local authorities, which tended to

instrumentalize the collaboration for short-term purposes.

Less than 15 per cent of the collaborative efforts had had a positive impact on income or asset distribution in the target communities. On the contrary, in a quarter of the cases, the community had experienced negative distributional outcomes over the period of the collaboration. (The collaboration itself was never deemed the culprit for such negative impacts. These were attributed to worsening economic conditions that collaborative efforts were powerless to reverse. The research did not determine whether collaboration had lessened the negative impact of those worsening conditions.)

In about half of the cases of collaboration, physical conditions in the target area had improved, at least during the period of the most intense interaction between local authorities and community groups. Roughly half of the collaborations also resulted in improved access to decision-making processes for some community members. Nearly two fifths appeared to have influenced policy in one way or another.

But such improvements in physical conditions, access to decision-making processes and policy impact do not appear to have been sustained or cumulative. Indeed, the phenomenon of “participation”—evidenced by the growing number of neighbourhood consultations with local authorities, community contributions to project implementation, and improving legal and administrative frameworks governing relationships with civil society organizations—has remained confined to the micro level. None in the collaborative efforts became a city-wide practice receiving the full support of local authorities. This finding led the researchers to conclude that authorities tended to accept small-

scale collaborations as a form of lip service. If collaboration began to challenge the status quo at the city or regional level, those in power tended to react strongly, forcing the experience

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“back into the micro”—and sometimes even threatening any gains that had been achieved.

The researchers also agreed that such micro-level collaboration, while important in building communities' organizational and individuals' personal capacities, should not be overemphasized as a strategy for change. Rather, collaborations must be accompanied by broader networking across the city or metropolitan area. They should also become part of (still rare) participatory processes of decision making, along the lines of the Participatory Budget in Porto Alegre, Brazil.

More information on this UNRISD meeting is forthcoming in an issue of Conference News.

UNRISD and Training

Visible Hands has been used as required reading for the first module of Introduction to Development Issues, a course followed by students doing postgraduate specialization in Management of Development at the University of Turin, Italy. Also as part of this course, two UNRISD researchers were invited to give lectures on Globalization and Social Policy; and Gender, Democratization and Social Policy.

UNRISD in Translation

Parks, People and Professionals: Putting "Participation" into Protected Area Management, by Michel P. Pimbert and Jules N. Pretty (Discussion Paper No. 57) has been translated into Portuguese and appears in **Etno-conservação: Novos rumos ara a conservação da natureza**, edited by Antonio Carlos Diegues (NUPAUB, São Paulo, 2000).

UNRISD and Radio Canada

On 14 March 2001, Krishna B. Ghimire, a Project Leader at UNRISD, gave an interview on the subject of the future of the world's peasantry to Radio Canada's news programme "D'un soleil à l'autre". The interview focused on peasants' proprietary rights and autonomy of action. The interview can be found at <http://www.radio-canada.ca/radio/dunsoleil>.

UNRISD and the South Centre

Meanings of Sustainable Agriculture: Some Issues for the South, by UNRISD Senior Consultant Solon Barraclough (December 2000), was published by and is available from the South Centre (chemin

du Champ d'Anier 17,
1211 Geneva, Switzerland).
Paperback, ISBN 92-9162-014-9.

UNRISD and UNESCO

"A knife at the throat of half a billion farmers", by Michel Bessi res with Rolf K nnemenn and UNRISD Project Leader Krishna Ghimire, has been published in a special issue of **UNESCO Courier** (January 2001) that looks at "Land, debt, seeds of wrath: The new peasants' revolt". **UNESCO Courier** is available on-line in English, French and Spanish at <http://www.unesco.org/courier/>.

Others' News and Views

Development in Practice, Volume 11, Numbers 2 and 3, May 2001, guest edited by UNRISD Project Leader David Westendorff, ISSN 0961-4524, 398 pages. This double issue of the journal contains 18 papers prepared for the European Science Foundation's annual N-AERUS Workshop, held on 3-5 May 2000 in Geneva. Its title, "Cities of the South: Sustainable for whom?", reflects the concern that urban development processes in many cities of the North and South are being guided by superficial or misleading conceptions of sustainable development. The collection covers a range of topics, from the international challenges to achieving sustainable cities, to the perspectives of researcher-practitioners from Africa, Asia and Latin America on the principles necessary for the achievement of sustainable development in their cities, and the current set of constraints against doing so. Some articles touch on the contested roles of international agencies and bilateral donors in shaping national strategies for urban sustainable development. Others discuss issues of housing and land-use management, as well as the potential role for new

information technologies in planning for sustainable development. The collection will also be published as a Development in Practice Reader under the title **Development and Cities**.

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Debating Development: NGOs and the Future, co-ordinated and introduced by Deborah Eade and Ernst Ligteringen, Development in Practice Readers, ISBN 0-85598-444-9, 420 pages, 2001, £12.95/\$18.95. While NGOs have enjoyed a high profile in recent years, there are signs that their heyday is over. The NGO sector stands accused of complacency and self-interest on one hand, and of being ineffectual and irrelevant on the other. The essays in this volume consider what kinds of development will eradicate poverty, and what kinds of organizations are best suited to the task. They seek to address the following questions: What model of international co-operation can deliver social and economic justice? What does this mean for NGOs in the future? The volume also contains an extensive annotated bibliography of current and classic titles that provide an essential reading list on the topic.

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Environments and Livelihoods: Strategies for Sustainability, by Koos Neefjes, Oxfam Publications, Oxfam Development Guidelines, ISBN 0-85598-440-6, 277 pages, 2000, £11.50/\$18.95. Is poverty to blame for the global environment crisis—or, conversely, is environmental degradation a major cause of poverty? This question lies at the heart of the book,

which conceives of “environment” in the broadest sense, as inclusive of people and social relationships. Following a theoretical reflection on relationships between poverty and environmental change, it presents frameworks for action by development agencies that integrate ideas of stakeholder participation and the notion of sustainable livelihoods. It also discusses practical tools and approaches to project management, and considers how policies can address the structural causes of environmental degradation and poverty. The book is intended to support the campaigning and lobbying work of local and international development organizations, to improve the formulation and implementation of development strategies, and to strengthen participatory project planning, monitoring and impact assessment.

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Women and Leadership, edited by Caroline Sweetman, Oxfam Focus on Gender Series, ISBN 0-85598-452-X, 86 pages, 2000, £7.95/\$12.95. Despite advances toward recognition of women’s political, economic and social equality with men during the twentieth century, there is a continuing lack of women leaders to determine the political, economic and social progress of humanity. Women have created thousands of vibrant, visionary organizations of their own, with considerable recent success in influencing national and international policy formation. Yet women remain absent from key political and economic institutions that shape access to and control over resources. Why are women leaders still marginalized from power? What will it take to change this? This collection is about leadership in many contexts: women resisting exploitation in the workplace; women heading households; women leading in international policy forums. It offers insights for development policy makers and practitioners aiming to promote gender equality and to support women would-be leaders,

and argues that the institutions that rule our societies need to be transformed in order to promote gender equality. Countries featured include Bangladesh, Botswana, Guatemala and Uganda.

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The Case against the Global Economy and for a Turn Towards Localization,

edited by Edward Goldsmith and Jerry Mander, Earthscan, paperback, ISBN 0-83583-742-3, 336 pages, 2001, £14.95. Following the success of the first edition of this book in the United States—winner of the American Political Science Association award for “Best book in ecological and transformational politics”—this new and fully revised United Kingdom edition covers recent developments, including the debacle of the World Trade Organization in Seattle. The book explores the greatest political debate of our time—the blind rush toward a global economy and its devastating consequences for employment, poverty, democracy, human rights, cultural diversity and the natural world that sustains us. The 24 economic, political, agricultural and environmental scholars and activists featured in the collection argue that free trade and globalization are producing effects precisely the opposite of those promised. In their opinion, only a radical change in direction toward local economy, democracy and self-sufficiency can assure human welfare and prevent environmental and climatic catastrophe.

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UNRISD is an autonomous agency engaging in multidisciplinary research on the social dimensions of contemporary development problems. Its work is guided by the conviction that, for effective development policies to be formulated, an understanding of the social and political context is crucial. The Institute attempts to provide governments, development agencies, grassroots organizations and scholars with a better understanding of how development policies and processes of economic, social and environmental change affect different social groups. Working through an extensive network of national research centres, UNRISD aims to promote original research as well as strengthen research capacity in developing countries.

UNRISD gratefully acknowledges the support for its activities provided by its core funders: Denmark, Finland, Mexico, the Netherlands, Norway, Sweden, Switzerland and the United Kingdom.

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Social Policy and Economic Development: Lessons from East Asia

Ha-Joon Chang

With the continued economic crises in the developing countries during the last couple of decades, even the World Bank and the International Monetary Fund have come to pay attention to social policy. The Bank and the Fund, which traditionally decried the scourge of “premature” social policy in developing countries, have now come to acknowledge the need for a “social safety net”.

In some of its recent work, UNRISD has advanced an important position: that social policy should not be treated merely as an afterthought, as implied by the safety net approach, but instead that social policy must be an essential ingredient in any developmental strategy. This article corroborates this point with examples from East Asia.

East Asia has traditionally been regarded as a “social policy-free” zone. Those on the right have often brandished the East Asian experience as proof that countries should concentrate on “economic policy” and forget “social policy”. Some on the left have argued that, if the East Asian countries did not have many social policies, it was only because they had few social conflicts thanks to historical factors like egalitarian income distribution, ethnic homogeneity, or even an inherently less conflict-oriented “Asian” culture. Both views are highly problematic.

To begin with, it is simply not true that the East Asian countries are inherently low-conflict societies. Social peace in East Asia is, in fact, a relatively recent achievement. Readers should recall the communist revolution in China, the Viet Nam War and the Korean War. Furthermore, in the 1950s and the early 1960s, Japan lost more working days per worker in industrial strikes than did the United Kingdom or France. Indonesia’s 1966 military coup was one of the bloodiest in the twentieth century. Malaysia, Singapore, Thailand and the Philippines have seen armed communist insurgencies. There was a race riot in Taiwan Province of China in 1947, and one in Malaysia in 1969. Hong Kong was the site of housing riots in the late 1960s. The examples could continue, but the point is that the East Asian countries are not *naturally* low-conflict societies.

It was only because of a range of “social policies” (combined with political repression in some cases, it is true) that the Asian countries managed to achieve social peace, although the recent events in Indonesia illustrate how fragile these achievements can be. The social policies included, depending on the country: land reform; protective measures for workers (coverage for industrial accidents, legal priority for wage claims over other claims in case of enterprise bankruptcy); public housing (especially in Hong Kong and Singapore); ethnic-based redistribution (in Malaysia); restrictions on luxury consumption (especially in Japan, the Republic of Korea and Taiwan Province of China); and government-administered rural micro-credit programmes (in Indonesia).

However, what is more interesting about the East Asian experience is the extent to which social policy has been *implicit*. In countries like Japan and the Republic of Korea, the corporate welfare system (while clearly inferior to a citizenship-based welfare system) played an important role in promoting industrial peace in large firms. Another important example is the protection of small farmers (through trade protection and/or restrictions on farmland ownership) and of small shop-owners (through the Large Store Law in Japan, and through urban planning in the Republic of Korea), who were neither qualified enough to get a job in the modern manufacturing sector, nor entitled to social protection measures due to the poorly developed welfare state.

More recently, many of the above-mentioned explicit and implicit social policy measures have come under strain due to changing national and international circumstances. Some measures, such as the protection of small retailers, are regarded as covert forms of protectionism and deemed unacceptable in the new era of globalization. Other measures—such as corporate welfare, labour protection, and an ownership ceiling for farmland—are regarded as inimical to the international competitiveness of these economies. And still others, such as ethnic-based job and ownership quotas (as in Malaysia), are criticized—both within the country and outside—for being inefficient and unfair.

Most of these criticisms have a point, but they tend to miss the bigger picture. What the East Asian countries have been “buying” with these sometimes (but not always) inefficient—and sometimes unfair—social policy measures are social cohesion and peace, which have been the foundation of their prosperity. It may be possible to increase the “efficiency” of the East Asian economies by abolishing some of these measures, but in the longer run, such moves would likely increase social tensions and political unrest, and may ultimately damage their prosperity.

This is, of course, not to deny the need for carefully thought-out reforms that can improve the cost effectiveness and the fairness of social provisioning in East Asia. In fact, there is still a long way to go before these countries can claim to have established genuinely inclusive and cohesive societies. We should not lose sight of the bigger picture: the apparent peace and harmony in many East Asian countries is fragile, and social cohesion and political peace in these countries had sometimes to be bought at a considerable cost.

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